

## Data Sheet

<b>USAID Mission:</b>	Serbia
<b>Program Title:</b>	Economic Policy and Finance
<b>Pillar:</b>	Economic Growth, Agriculture and Trade
<b>Strategic Objective:</b>	169-0130
<b>Status:</b>	Continuing
<b>Planned FY 2005 Obligation:</b>	\$20,400,000 AEEB
<b>Prior Year Unobligated:</b>	\$0
<b>Proposed FY 2006 Obligation:</b>	\$17,333,000 AEEB
<b>Year of Initial Obligation:</b>	2001
<b>Estimated Year of Final Obligation:</b>	2007

**Summary:** USAID's economic program supports new public-private alliances; the regulatory infrastructure for introducing the new value-added tax (VAT); a banking system operating in accordance with the Basel Core Principles; risk-based regulation of insurance companies; introduction of a multi-pillar pension system; competitiveness initiatives that increase export levels, investment and employment; functioning business registration, secured credit, and leasing registries; development of new economic think-tanks; the Opportunity International program operating on a universal bank license throughout all of Serbia; greater availability of credit to qualified small and medium enterprises (SMEs) and municipalities through the use of Development Credit Authority (DCA) and related technical assistance; a more business friendly, pro-growth, legal and regulatory environment supported by a strengthened regional commercial court system; and parallel-track progress by Serbia and Montenegro towards World Trade Organization (WTO) membership. FY 2006 is a transition year as USAID begins to implement a new country assistance strategy expected to be in place by mid-2005.

### Inputs, Outputs, Activities:

**FY 2005 Program:** Improve Economic Policy and Governance (\$5,610,000 AEEB). USAID will continue to help Serbia address its budget deficit by improving its revenue collection system through tax policy reform. Assistance provided to the Ministry of Finance and Serbian Tax Administration will improve the administration of taxes collected from businesses and individuals thereby improving the environment for growth of the formal private sector. Contractor: Bearing Point (prime).

Improve Private Sector Growth (\$9,690,000 AEEB). To increase investor confidence USAID will continue commercial court reform; promote enterprise development by supporting accelerated growth in six key sectors of fruit, furniture, apparel, information and communication technology, pharmaceutical research, and tourism; and work with business associations to advocate for pro-growth policies, laws, and regulations. The Municipal Economic Growth Activity (MEGA), a new program to assist local governments as facilitators and promoters of local private sector economic development, will include training and technical assistance to support public-private collaborative efforts such as industrial and technology research parks, business improvement districts, business incubators, and one-stop permitting centers. MEGA may include a municipal credit component involving the use of Development Credit Authority. Contractor: Booz Allen Hamilton (prime), and others to be determined (TBD).

Strengthen the Financial Sector's Contribution to Economic Growth (\$4,500,000 AEEB). USAID will provide assistance necessary to ensure a strengthened banking system, a sound, stable, and well-regulated insurance industry, and the introduction of a multi-pillar pension system reforming Serbia's financially troubled pay-as-you-go system. USAID will also launch a \$4 million Development Credit Authority program with components that increase access to finance in key sectors of the economy, expand lending to SMEs, and enable municipalities to secure needed financing for infrastructure development and economic development at the community level. Contractor: Bearing Point (prime), and TBD.

Increase Participation in Global Trade and Investment (\$600,000 AEEB). USAID's WTO accession for Serbia and Montenegro activity will accelerate accession assistance to both Serbia and Montenegro as

the two republics move forward with a two-track negotiation process. Contractor: IBM Consulting (prime).

**FY 2006 Program:** Improve Economic Policy and Governance (\$3,860,000 AEEB). USAID intends to support policy and capacity-building activities that will address critical gaps in Serbia's macroeconomic policy and governance environment through improving fiscal sustainability, transparency, and accountability, and eliminating obstacles in legal and regulatory frameworks that inhibit foreign and domestic investment and job creation. Government counterparts may include the Ministry of Finance, the Ministry of International Economic Relations, Serbian Investment and Export Promotion Agency, and the Ministry of Justice. Contractor/grantee: Bearing Point (prime) and TBD.

Improve Private Sector Growth (\$8,749,000 AEEB). USAID intends to support initiatives that address critical gaps in Serbia's microeconomic and macroeconomic constraints to growth. Resources are intended to improve the competitiveness of key economic sectors with emphasis on increasing exports, attracting investment, and job creation, as well as to address barriers to foreign direct investments, growth of the formal sector, and the capacity of Serbia's commercial law framework and institutions to protect and enforce contract, property, and creditors' rights. In FY 2006, MEGA will become fully operational with economic development training and technical assistance underway in up to a dozen progressive municipalities. The first collaborative public-private partnership projects will have been identified, and if feasible, a municipal lending facility will be set up with local private banks using the DCA. Contractor: Bearing Point (prime) and TBD.

Strengthen the Financial Sector's Contribution to Economic Growth (\$3,621,000 AEEB). USAID intends to continue financial sector activities including a three-pronged financial sector activity covering banking, insurance, and pensions so as to ensure a banking system operating in accordance with the Basel Core Principles, a functional system for sound risk-based regulation of insurance companies, and introduction of a multi-pillar pension system reforming the current pay-as-you-go system. Contractor: Bearing Point (prime) and TBD.

Increase Participation in Global Trade and Investment (\$1,103,000 AEEB). USAID will continue to support WTO accession for Serbia and Montenegro as the two republics advance their two-track WTO negotiation process. Additionally, USAID intends to support policy, institutional, sector, and firm level assistance to increase Serbia's participation in regional and global trade and investment and in Euro-Atlantic institutions with a view to advancing Serbia's progress toward European Union accession. Contractor: IBM Consulting (prime).

**Performance and Results:** USAID's program improves private sector development through: assistance to a new Business Registry Agency that will speed business registration and host new collateral and leasing registries; bank supervision, including the development of a robust information technology system needed for more efficient detection of money laundering activities; the establishment of an insurance supervisory department and commencement of examinations of 36 insurance companies; pension reform assistance including development of an actuarial model to project pension liabilities; tax administration assistance for successful implementation of the new VAT; strengthening private sector competitiveness in six key sectors; a microfinance activity, that as of year end had an active portfolio of 2,130 clients, over 40% women, and that had disbursed 4,345 loans since inception totaling nearly euro 7.5 million; modernized intellectual property rights legislation and steps to advance WTO accession; Commercial Court Administration Strengthening, a new activity addressing serious deficiencies in Serbia's commercial court system; and the privatization activity which ended with a set of recommendations on accelerating the restructuring of over 70 large socially and state-owned companies.

## US Financing in Thousands of Dollars

**Serbia**

169-0130 Economic Policy and Finance	<b>AEEB</b>
<b>Through September 30, 2003</b>	
Obligations	46,160
Expenditures	18,787
Unliquidated	27,373
<b>Fiscal Year 2004</b>	
Obligations	12,100
Expenditures	23,680
<b>Through September 30, 2004</b>	
Obligations	58,260
Expenditures	42,467
Unliquidated	15,793
<b>Prior Year Unobligated Funds</b>	
Obligations	0
<b>Planned Fiscal Year 2005 NOA</b>	
Obligations	20,400
<b>Total Planned Fiscal Year 2005</b>	
Obligations	20,400
<b>Proposed Fiscal Year 2006 NOA</b>	
Obligations	17,333
Future Obligations	18,500
Est. Total Cost	114,493